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ECONOMIC DEVELOPMENT

Budget 2011: unjust, inequitable, morally wrong

S. Gurumurthy

How could the percentage of fiscal deficit have come down?

“I have spent more, yet, I have brought down the fiscal deficit for 2010-11 from 5.5 per cent to 5.1 per cent,” claims Finance Minister Pranab Mukherjee. The amount of fiscal deficit has actually gone up by Rs.20,000 crore. How then could the percentage of fiscal deficit have come down? It defies the logic of numbers. Yet, none of the commentators in awe of his miracle have asked Mr. Mukherjee how he achieved the miracle. It is not his feat. Runaway inflation did the trick, not the Finance Minister. Surprised? Read on.

In his budget speech for 2010-11, the Finance Minister had fixed the fiscal deficit of Rs.3.81 lakh crore at 5.5 per cent of the GDP of Rs.69.35 lakh crore estimated by the CSP at current prices for 2010-11. But thanks to hyperinflation that hit the people of India, the GDP at current prices — also called nominal GDP — rose from the estimated Rs.69.35 lakh crore to Rs.78.78 lakh crore in 2010-11. The rise of Rs.9.57 lakh crore is pure inflation. As a percentage of the new, inflated nominal GDP figure of Rs.78.78 lakh crore, the fiscal deficit of Rs.4 lakh crore came down to 5.1 per cent. Had inflation not escalated, the estimated GDP of Rs.69.35 lakh crore, the fiscal deficit would have risen to 5.8 per cent, not fallen from 5.5 per cent. The Medium Term Fiscal Policy Statement annexed to the budget obliquely admits this fact. It says that “higher nominal growth in GDP” — which is just inflation — has helped in reducing

the fiscal deficit

The gap between real and nominal GDP is inflation. Year after year, from 2005-6, this inflationary gap between the real and nominal GDP has been incrementally enlarging. In 2005-06 the gap was 9.4 per cent; in 2006-07, it rose to 16.9 per cent; in 2007-08, it enlarged to 21.8 per cent; in 2008-09 it topped 31.3 per cent; and in 2010-11, the gap became an all time high at 38 per cent, equal to Rs.30 lakh crore. Imagine, had the gap between the real and nominal GDP for 2010-11 not risen over the percentage of the gap in 2005-06, the fiscal deficit for 2010-11 would have been as high as 21 per cent! And had it been the same as in 2009-10, the fiscal deficit for 2010-11 would have been 7.5 per cent. When inflation is high the GDP-fiscal deficit ratio becomes almost meaningless. So much for the reduction in fiscal deficit acclaimed as “fiscal consolidation,” “safe play,” “cutting spend.”

Curiously, inflation escalated the nominal GDP year after year from 2005-06, but surprisingly, not particularly the indirect tax revenues proportionately. This makes the comparison of nominal GDP with fiscal deficit misleading. It also takes us to the confession of the Finance Minister that he has not mobilised revenue in this budget. The media has eulogised him for sparing corporates from a higher dose of tax, and still managing the deficit. The truth is that the United Progressive Alliance (UPA) has altogether stopped taxing corporates and others who are tax worthy. The excise revenue as a percentage of the real GDP is now almost half of what it was in 2005-06; in terms of nominal GDP it is even less. According to the Economic Survey 2010-11, the ratio of excise revenue to GDP has come down from 3 per cent in 2005-06 to 1.7 per cent in 2010-11 and customs from 1.8 per cent to 1.5 per cent. On the basis of the excise-customs to GDP ratio of 2005-06, the government has underlevied excise by Rs.1,00,000 crore and customs duty by Rs.43,000 crore in 2010-11, totalling Rs.1,43,000 crore. The under levy of

excise started in 2006-07 at Rs.13,000 crore, rose to Rs.63,000 crore in 2008-09 when stimulus was introduced, and to Rs.81,000 crore in 2009-10. Even if the fiscal stimulus — calculated with 2007-08 as the base — of Rs.59,000 crore in excise and in customs of Rs.41,000 crore are deducted, the under levy is still Rs.43,000 crore. It means that the UPA government has simply refused to levy the legitimate tax. But, despite huge tax cuts, inflation is hitting the roof. Yet on the fear and threat that withdrawal of stimulus would intensify inflation, the stimulus continues. Is it justified? Read more.

It is not that corporates are in distress; in fact, they never were. An analysis of the profits of corporates given in the statements of revenue foregone attached to annual budgets shows that corporates have been making huge profits. The companies surveyed posted a profit before tax of Rs.4.08 lakh crore in 2005-06; Rs.7.11 lakh crore in 2007-08; Rs.6.68 lakh crore in 2008-09 [global meltdown year] and Rs.8.24 lakh crore in 2009-10. Most of the super profits in 2009-10 — a rise of 23.35 per cent in just one year — is clearly the stimulus cuts not passed on to the public. The super profits make the continuance of stimulus unjust. The story doesn't end here. Thanks to exemptions, corporates have paid far less than the statutory rates of excise, customs and income taxes. Taxes thus foregone by the government have been rising from year to year from 2005-06 – from 50 per cent of the tax collected in that year to 72 per cent of the tax collected in 2010-11. For the year 2010-11, the tax giveaways, including excise-customs waivers of Rs.3.62 lakh crore, totalled Rs.5.12 lakh crore. The stimulus cut of Rs.1 lakh crore, and an under-levy of Rs.43000 crore are on top of the tax foregone. Moreover, the big corporates manage to pay less than the small ones. If they pay as much, the extra tax realised for 2010-11 could have been Rs.14,470 crore.

Contrast the giveaways of several lakh of crores with the admission in the Economic Survey that capital formation in the agricultural

sector, which employs 58 per cent of Indian people, has, from 2005-06, stagnated around 7.5 per cent of the total capital formed in the economy. The survey says that a huge investment is needed to make agriculture viable and sustainable. A fraction of the giveaways to corporates could save Indian agriculture from stress. No seer is needed to say that the budget could not be more unjust, inequitable, and morally wrong. And yet this budget is branded as an aam aadmi budget.

The Finance Minister could not have trivialised the issue of black money abroad more. In his budget speech, he has just repeated what he told the media on January 25, 2011. He has pontificated on corruption. His written brief on the implementation of programmes he had announced in the previous budget shows that out of 66 programmes, only 25 have been completed, many of them paper work. Yet the media discourse has hardly noticed these critical issues.

There are positives, but the hidden vices in the budget make them cosmetic. Anyway the positives have been highlighted so disproportionately that it is a waste of media space to repeat them here. On a lighter note to end: the entry of 'onion' in the budget speech has raised its importance to that of infrastructure!

The invisible hand

Samar Halarnkar

For a man who serves as chief economic adviser of a nation currently obsessed with GDP and growth rates, Kaushik Basu has an interesting idea. Judge a country not by its GDP but by how much the poorest 20% of its population earns, says the Cornell University professor in his new book, *Beyond the Invisible Hand: Groundwork for a New Economics*.

It is an idea that should fit his government's mantra of lifting all boats in India's rising tide of economic growth. But how do you ensure inclusiveness in a nation beset by governance failures, corruption and leaks so severe that roughly Rs 50,000 crore - money enough to feed many countries - never reaches the poor?

One solution, propounded by Basu, was in the budget presented on Monday by his boss, finance minister Pranab Mukherjee. It is an idea so simple that it seems radical to India: Give the poor cash instead of complicated schemes. Regular payments, in cash or as direct electronic transfers into bank or post-office accounts, can be unconditional - primarily to the almost destitute - or conditional, such as sending children to school or getting babies vaccinated. Direct payments bypass the host of grasping intermediaries who undermine India's vast, tottering welfare state.

From the Philippines to Peru, 40 countries use cash transfers. The literature on cash transfers is rich. I refer sceptics to a book released last year by three scholars in the field.

Just Give Money to the Poor: The Development Revolution from the Global South describes how cash transfers have empowered the poor, cut poverty, and boosted education and health.

The largest, most successful programmes are run by Brazil and Mexico. Until the 1990s, Brazil was one of the world's most unequal countries, part Jharkhand, part Sweden. Between 2003 and 2009, incomes of the poorest Brazilians grew seven times as much as the incomes of the richest. This is largely attributed to Bolsa Familia (family grant), now regarded as the world's biggest and most successful anti-poverty, cash-transfer programme. Bolsa unifies a set of programmes, from cooking gas to food, and pays R590 per month to poor families, on the condition that a child, 15 years or younger, attend school.

Bolsa, which now covers 39% of Brazil's population, supports up to three children. If at 16 a child is still in school, payments rise to Rs860. Families in extreme poverty get Rs 1,800, without conditions. In five years since 2003, Brazil's poverty rate has fallen from 22% to 7% and extreme poverty has all but vanished.

Poverty, malnutrition and child labour have similarly fallen in Mexico, where the programme, Oportunidades (Opportunities), covers a third of the population and pays - almost always - mothers Rs 5,570 per month to keep children healthy and in school.

India does run minor cash-transfer schemes. The most successful and widely publicised is the Rs 175 crore Bihar has given over four years to about a million girls to buy cycles to reach school. Enrolment is up more than three times and dropout rates are down by more than half.

A recent paper by World Bank economists measured leaks in pensions - 4% of India's social-security spending - handed directly to the elderly, widows and disabled. In Karnataka, the leaks are 17% (mostly because of missing beneficiaries or bribes paid to become a recipient). The

authors compared the indirect public distribution system (PDS) in the same state. The leaks: 64%.

The PDS is, however, more complicated to substitute by cash. Harsh Mander, who heads the food security group at the influential National Advisory Council (NAC), says the PDS has three objectives: to procure grain, stabilise prices and subsidise food. "So, how do the first two happen if the PDS is replaced with cash?" he asks.

This question will be particularly relevant when the food subsidy balloons from its budgeted figure of Rs 60,570 crore after the Food Security Act is passed this year. With the architects of the Bill, the NAC, feuding with those who will implement it, the government, implementation is dangerously unclear.

Regardless of whether this subsidy is converted to cash, the PDS cannot be immediately removed, agrees Santosh Mehrotra, director general of the Institute of Applied Manpower Research, primarily because it will take "considerable" time to change the PDS supply chain, emanating primarily from India's breadbaskets, Haryana and Punjab. Mehrotra suggests, in a recent paper, that India convert some of its massive subsidies into five conditional cash transfers aimed at poor families, mothers, children and youth. But, he says, this cannot be done without vigorously implementing a new methodology (already drawn up) to re-identify the poor, currently estimated at 450 million people. This is vital: about half of India's subsidies reach those whom it should not.

Cash transfers are not magic bullets. In Brazil, they have not worked in urban areas quite as well as in rural areas. Brazilian officials talk of 'old' and 'new' poverty. Hunger, the lack of basic health and education constitute 'old' poverty, while breakdown of families, abysmal living conditions and violence are 'new'. With growing urbanisation, poverty in India straddles both these worlds, and one size obviously cannot fit all.

Cash transfers require certain prerequisites that India does not have - development infrastructure and good governance. Brazil has put in place an elaborate, robust governance system, the invisible hand of Basu's book. Payments are made through a debit card, every transaction is recorded in a sprawling electronic database and schemes are frequently evaluated. India's unique identification (UID) system is not yet in place, nor is the national information infrastructure that must give its databases real-time life. Yet, the government talks of moving to cash by the next budget.

India must see cash transfers as development grants that invest in youth and stimulate growth instead of only being safety nets. For that to happen, the government must first set in place the infrastructure of development. That means spending more: social-sector outlays have fallen from 2.06% of GDP in 2010-11 to 1.96% in 2011-12. If you pay the poor to buy food, educate children and improve their health, you must build more warehouses, schools and clinics than the present budget allows. As for the quality of governance, the government is worryingly silent. Before it hands over cash, India needs that invisible hand.

<http://www.hindustantimes.com/StoryPage/Print/668717.aspx>

INTERNATIONAL RELATION

OLD IDEA, NEW INITIATIVE

- A balanced diplomacy in the volatile Gulf augurs well for India

K.P.Nayar

When Manmohan Singh became prime minister nearly six years ago, no one suspected that he was stubborn. Those who interacted with him as the soft-spoken finance minister under P.V. Narasimha Rao would hardly describe him as obstinate.

It was during the nuclear deal, which he skillfully engineered into an agreement with the United States of America against all odds and later pushed through within the 46-member Nuclear Suppliers Group, that the talk began in New Delhi and Washington in grudging approval of Singh's stubborn pursuit of an idea he felt deeply committed to. Between last year's ice-breaking talks with Pakistan's prime minister, Yousaf Raza Gilani, in Sharm el Sheikh and now, the impression of a prime minister who would obstinately stick to his guns has grown by leaps and bounds, reinforced by last week's Indo-Pakistan foreign-secretary-level talks that did not have the approval of key members of his own council of ministers.

But nothing that Singh has done in his entire career as a politician beats the dogged determination with which he has pursued another of his pet foreign policy ideas for almost 17 years: the idea of bringing India closer to Saudi Arabia. Very few members of Singh's cabinet have read a historic joint communiqué that was issued in April 1982 at the end of Indira Gandhi's visit to Saudi Arabia. In part, their reason for not reading this document is that the only copy of it, which was in the possession of Talmiz Ahmad when he was India's ambassador in Riyadh between January 2000 and July 2003, has been misplaced following Ahmad's departure as envoy to Oman. His successors obviously did not

think the communiqué was worth preserving or archiving.

But Singh read this landmark document in 1994 when he visited Saudi Arabia as finance minister and was struck by what it outlined. The joint communiqué underlined the unconventional but hugely significant view that there is a vital link between the security of South Asia and that of West Asia, especially the Gulf region.

Since that trip to Riyadh 16 years ago, when he revived a dysfunctional joint commission that was set up with good intentions for bilateral cooperation in economic, trade, scientific, technical and cultural activities shortly before Indira Gandhi's visit, Singh has been determined to explore the idea of a joint security approach for South Asia and the Gulf.

Singh's visit to Riyadh, which concluded on Monday, represents his determination — like his pursuit of the nuclear deal and a rapprochement with Pakistan — to erect a new pillar of Indian diplomacy and leave his distinct mark on that initiative by picking up the threads of Indo-Saudi relations from where they were left off by Indira Gandhi 28 years ago.

In a country where its strategic community is obsessed with India's ties with Pakistan, China or the US, it is not widely known or appreciated that soon after becoming prime minister in May 2004, Singh went about exploring the possibility of creating the basis of a new relationship with the Saudi kingdom. But it took a year and a half to produce any tangible movement. That came in January 2006, when King Abdullah arrived in New Delhi on a four-day state visit when he was also the chief guest at the Republic Day celebrations that year.

Last weekend, Singh significantly built on the royal visit of four years ago. His idea, based on his previous visit to the kingdom as finance minister, is to create a relationship with Saudi Arabia which has two dimensions, one economic and the other regional. He went to Riyadh as

prime minister when New Delhi's principled position that the *jihad* of the 1990s was unhelpful for the long-term security of the region inhabited by Gulf Arabs and South Asians has been vindicated. Unlike Indians two decades ago, the Saudis, Pakistanis and Americans did not understand — or care to assimilate — the lesson that it was this *jihad* which prepared the ground for the September 11 terrorist attacks on the US or for Pakistan's current situation as a failed State.

But Singh was not triumphalist during his interactions with King Abdullah and others last weekend over the belated realization in Riyadh and Washington that the very forces which gave succour for extremism in the 1990s are now under siege. His effort, on the other hand, was to prepare the ground for India and Saudi Arabia to be on the same page on this issue.

It is a fact that when India was under assault by terrorists in the late 1980s and thereafter, it got little sympathy from Saudi Arabia. What India had to say in those years was not heard with any seriousness in Riyadh. But there is a clear sense today that the implications of the November 2008 terrorist attacks on Mumbai are understood in Saudi Arabia and elsewhere in the Gulf, in states which have vulnerable coastlines and domestic *jihadis* who want to overthrow their governments. Singh's visit to Saudi Arabia is opportune because this is the right time to explore the space for a strategic alliance between Riyadh and New Delhi.

Indeed, it is vital for India to do so in the light of US efforts for reconciliation with the Taliban in Afghanistan. These efforts have the blessings of Riyadh. The US president, Barack Obama, cannot win the election in 2012 unless the fighting involving American forces is halted well before his re-election campaign gets under way.

A return of the Taliban into Kabul's power structure in any form will be a victory for Pakistan, and it has serious implications for India's

security. The government must, under the circumstances, be prepared for greater radicalization of disaffected Kashmiris. A Saudi role in regional security, working together with India, therefore, becomes all the more important. That is what Shashi Tharoor, the minister of state for external affairs, intended to convey when he talked about Riyadh's close relationship with Pakistan "that makes Saudi Arabia even a more valuable interlocutor for us", a valuable insight into regional diplomacy which unfortunately went over the heads of many of those in the media who accompanied Singh to Riyadh.

However, if India is to guard its flanks, it must balance its overtures to Saudi Arabia by equally putting some substance into its moribund relations with Iran. There is a long-pending invitation for the prime minister from President Mahmoud Ahmadinejad to visit Iran. In November last year, the Iranian foreign minister, Manouchehr Mottaki, came to India to renew that invitation. India cannot hope to make the most of what Singh has started in Riyadh unless he completes the circle, so to speak, by going to Tehran as well and working out a viable strategy for dealing with the Taliban's resurgence in Afghanistan.

Such balanced Indian diplomacy in the volatile Gulf is necessary also because Iran recently displaced Saudi Arabia as the number one source for oil imports by India. The foreign secretary, Nirupama Rao, was in Tehran a few weeks ago for foreign office consultations, but an opportunity offered by that visit to make the most of a rapidly changing regional scenario was wasted because of the lack of political will in New Delhi in dealing meaningfully with the Iranians for fear that it may upset Washington.

During his visit last weekend, the prime minister built on what he started with Saudi Arabia in 1994 by reviving the joint commission. Recognizing that there is no significant Saudi investment in India he attempted to draw the Saudis into joint energy projects in India and to invest in infrastructure. The growing involvement by Oman and the

United Arab Emirates in economic activity in India ought to give greater confidence to the Saudis in developing a stake in India's emerging economy. Which can only complement the political stakes in Indo-Saudi relations.

How France can help India's infrastructure growth

Thierry Mariani

A loyal and solid friendship unites France and India. The precious ties between our two countries, which we must maintain staunchly, were founded on a commonality of values based on an attachment shared by both our States to democracy, multilateralism and dialogue between civilisations, which requires a sustained policy of cultural exchanges.

The richness of this multi-faceted partnership is especially illustrated in the sector of sustainable development and transport. This year, the joint efforts of both our States to render the G20 an efficient instrument of regulation and economic cooperation capable of rising to the challenges of the 21st century will be decisive. Monetary instability, economic imbalances, the volatility of the raw materials market, and developmental gaps with regard to infrastructure constitute the major challenges for the overhaul of the international economic system. Such was the purpose of the working visit, from December 4 to 7, 2010, of President Nicolas Sarkozy, who wished to respond to the invitation of Prime Minister Manmohan Singh and conduct a series of intense discussions with him on bilateral, regional and international issues of common interest.

In this regard, I would like to stress on our common resolve to attain a thorough reform of the United Nations in order to make the Security Council more representative of the current international scene, France having also lent its support to India for obtaining the status of a permanent member of an expanded Security Council. Thus, our two States will be able to pursue dialogue and cooperation within multilateral bodies, be they on regional crises, terrorism, climate change,

proliferation of weapons of mass destruction, or disarmament at the global level. This presidential visit was crowned by an Indo-French joint statement, dated December 6, 2010, which gives a fresh boost to the strategic partnership between our two States.

Further, this partnership approach covers challenges as essential as civil nuclear energy, counter-terrorism, and cooperation in the areas of security and defence as well as space. But France and India have also developed bilateral trade, be it for leased aircraft operation, satellite launch, recording biometric data, energy, all forms of transport or urban planning.

Our common ambition is illustrated at the institutional level with the implementation of joint working groups in charge of identifying good practices that will provide future economic cooperation with a solid foundation. But we must also offer all possible opportunities to help nurture a truly decentralised cooperation. In this regard, we must hail the first Indo-French seminars on decentralised cooperation, held in New Delhi from January 15 to 17, 2010, under the aegis of the Ministry of External and European Affairs and with the support of the French Ministry of Ecology, Sustainable Development, Transport and Housing, on the one hand, and the Indian Ministry of Urban Development, on the other, through their joint working group for urban development (founded in 2003). These seminars, which brought together 80 French representatives of self-governing bodies and an equal number of high-ranking local Indian officials, were a great success. New prospects of collaboration emerged on the themes of urban development and transport.

The next cooperation seminar between French and Indian states, regions and local self-governing bodies will be held in France in 2012. What a path we would run if we have the opportunity of welcoming a large Indian delegation on this occasion!

I would, naturally, like to salute India's economic vitality, which has witnessed a strong growth – an average of 6.5 per cent per annum between the fiscal years 1991 and 2010. Despite the global economic and financial crisis – which did not spare India – this country resisted well and posted a growth of 8.2 per cent in the fourth quarter.

This economic dynamism spurs a reflection on the crucial challenges of sustainable development, be it with regard to poverty alleviation, food security, or access to water. The fight against climate change is, obviously, a challenge of shared mobilisation between our two States. In this context, it is a pleasure to observe that the concept of sustainable mobility to which India subscribes will help develop types of transportation that reduce CO2 emissions, whether they concern public rail or eco-friendly modes of transport.

Further, India is undergoing a rapid urbanising process, a McKinsey report predicting a flow of 215 million new inhabitants towards Indian cities by 2025. India has been able to meet the challenge of accelerated urbanisation by launching an ambitious infrastructure programme. I believe that the French Development Agency (AFD) can be an important lever for financing these future expenses allied with the know-how and excellence of French companies established on Indian territory. Besides, France also possesses real expertise in innovative financial solutions, such as Public-Private Partnerships, which will constitute one of the highlights of this working visit – the first since that of the President of the French Republic.

Lastly, I believe that the Indo-French partnership is enriched by the development of economic and commercial exchanges, which must be further intensified. In this regard, I am pleased with the substantial investments made by French companies in India, be it the public service of water, construction material or rail transport, urban planning and housing.

This strategic partnership must be given a fresh boost so that the Indo-French friendship flourishes in all areas!

The writer is the French Minister of Transports

JUDICIARY

Supreme Court, crack your whip harder

Sudheendra Kulkarni

The folk aphorisms in India often capture the essence of our people's belief-system better than academic tomes. One such aphorism is: "Bhagwaan ke ghar me der hai, andher nahi." Variations of it exist in all Indian languages. When darkness persists for too long, God unfailingly answers devotees' prayers with a ray of light and hope. Thus, when the gloom of corruption spread all over the sky of governance in India, and when the Prime Minister himself started behaving like Dhritarashtra, the blind and helpless king in the Mahabharata, ordinary people's fervent prayers have been answered with a ray of hope in the form of the Supreme Court's no-nonsense activism. Heads have begun to roll. At least some scamsters, including one who was a cabinet minister until recently, have begun to breathe jail ki hawa, which is ordinary Indians' lingo to connote deserving punishment. More are sure to find themselves behind bars in the coming months. The government itself has had to eat one humble pie after another in quick succession.

What seemed impossible in India is beginning to happen. All because some upright judges in the apex court, now headed by one of the best leaders it has had since its inception in 1950, have decided to stick their courageous necks out. Chief Justice S.H. Kapadia, unlike his predecessor, is not conducting himself in a manner designed to please the dual centres of power in UPA, in the hope of grabbing a cushy post-retirement job. He and many of his colleagues are simply performing their duty. This ancient nation of ours, long before the Constitution was adopted and the Supreme Court was born, has known that nothing dispels darkness more assuredly than when the dispensers of nyaya (justice) perform their dharma .

How ill-advised the Prime Minister was when he chose to ignore the objections raised by Sushma Swaraj, Leader of the Opposition in the Lok Sabha, in the appointment of the Chief Vigilance Commissioner. Worse, still, he and his colleagues doggedly continued to defend their dubious decision even after the vulnerability of their stand became increasingly evident. And how even more ill-advised he was, when speaking at the Commonwealth Law Conference in Hyderabad last month, he said that “the power of judicial review must never be used to erode the role of other branches of the government”. Judicial restraint, he went on to say, is “vitaly necessary to preserve the integrity and sanctity of the constitutional scheme premised on the diffusion of sovereign power.” His defiant comment was clearly directed at the Supreme Court’s proactive role in the investigation of the appointment of CVC, the 2G spectrum scandal that has caused the government to lose upwards of Rs. 50,000 crore, the shocking money-laundering case of Hasan Ali Khan, and other cases. In each of these cases, the Supreme Court has cracked its whip, exposing both the scandalous immorality that has spread in the upper echelons of the government and also the Prime Minister’s own lack of will and ability to stem the rot.

Dr Singh should have exercised caution before sermonising to the Supreme Court not to overstep its powers and disturb the Constitutionally architected “diffusion of sovereign power”. A weak Prime Minister, does not challenge a strong Supreme Court. Even a strong Prime Minister like Indira Gandhi could not survive her impudent confrontation with the highest court. Moreover, when he is derelict in his own duty, why is he blaming the judiciary for doing its duty? Had Dr Singh put his foot down and stopped his telecom minister’s irregularities, had he rejected the recommendation of P.J. Thomas’ name for CVC irrespective of where it came from - and it probably came from the other, higher, centre of power - and had he ordered the relevant agencies of his own government to start unearthing the illicit Indian money stashed away in secret foreign bank accounts, the Supreme Court

wouldn't have come into the picture at all. Sadly, Dr Singh has never realised that in the Constitutional anatomy of our republic's governance, the foot of the Prime Minister has more power than any other limb of the Indian State. As I stated in my last column ('Send them all to Tihar'), he still has time to exercise prime ministerial power in a way that raises his government's integrity to the same level as his own personal integrity. If he fails to do so, his name will become just a footnote in India's history.

As far as the Supreme Court is concerned, it must continue to crack its whip - and crack it harder on every guilty person or office that has come under its radar. Which means, even those tainted former Chief Justices of India must get due punishment under the law if the allegations of corruption against them are proved. This act of self-correction, will not only act as a deterrent to the entire multi-tier judiciary, whose sacred portals have been desecrated by the all-pervasive malaise of bribe-taking, but also further raise the Supreme Court's prestige in the immortal eyes of our Constitution-makers. The Supreme Court must not hesitate to go after even more high-profile cases of corruption and cover-up such as Bofors and those involving leaders of other political parties. India's governance and political system needs a shock treatment. The SC-administered shock will hopefully bring it to its senses.

POLITICS AND GOVERNMENT

Equations after the elections

Ashok Malik

If Mamata Banerjee and J Jayalalithaa were to win handsome victories in the coming Assembly polls, we could witness an early general election.

Five States will see Assembly elections in April and May 2011. The biggest of these — West Bengal and Tamil Nadu — are poised for dramatic change. In the eastern State, the Left Front is not just expected to lose to the Trinamool Congress-led opposition but could well be annihilated. West Bengal's Legislative Assembly has 294 seats; 220 of these are in south Bengal, which is Trinamool country. It is likely Ms Mamata Banerjee's party will win 150-odd seats — and an absolute majority — in south Bengal itself. Should this happen, it will eliminate her dependence on the Congress, a junior partner that may have to be satisfied with 20-odd seats in the Assembly and contemplate its irrelevance in yet another provincial polity.

In Tamil Nadu, the DMK has not been as entrenched as the CPI(M) in West Bengal — after all, the Communists have been winning elections uninterrupted since 1977 — but has had a good run for the past few years. It finished on top in the 2006 State Assembly poll as well as the 2004 and 2009 national elections. For a whole host of reasons — the 2G Spectrum swindle among them — it is a cash-rich party and in 2009 was fairly openly leveraging its wealth to electoral advantage.

This year, a combination of fatigue, corruption scandals and sheer disgust vis-à-vis the grasping nature of DMK *raj* have the rival AIADMK smelling a chance. Chief Minister M Karunanidhi has reduced governance to a family business, divided among his multiple

wives, several sets of children and inter-connected nieces and nephews. Particularly if Ms J Jayalalithaa's AIADMK firms up an electoral agreement with movie star 'Captain' Vijayakanth's DMDK party, Chennai could be set for regime change.

Interestingly, both the CPI(M) and the DMK are at the receiving end of urban revolts. Trinamool is essentially an urban and suburban party, and at its strongest in Kolkata as well as the industrial (to be more accurate, rust-belt) hinterland of that city. In Tamil Nadu, the DMK was traditionally a city and town party and the AIADMK built around the rural appeal of its late founder, the charismatic and populist MG Ramachandran. Today, roles have reversed. Urban voters can't wait to punish the DMK, but the party — like the CPI(M) in West Bengal — is banking on its rural reserves to escape total destruction.

Should these predictions be correct and should two strong-willed women emerge triumphant on May 13, when the votes are counted, what will be the impact on national politics and on the UPA Government? To be fair, this may be limited. Yet there are other possibilities.

The Congress will be a minor gainer in West Bengal in that it has a small boat or two in the Trinamool armada. Ms Banerjee has eaten much of the mother party and more or less absorbed its State unit into Trinamool. In Tamil Nadu, the Congress toyed with the idea of fighting alone but has gone back to the security of a partnership with the DMK. It has no option but to swim or sink with its friend of seven years. In both States, despite Mr Rahul Gandhi's Herculean efforts, travels and — in Tamil Nadu — successful promotion of internal elections in the Youth Congress, the party has only a fractional presence. Without a major ally, it faces Bihar-type irrelevance.

Nevertheless, it would appear a valid argument that the Congress-led UPA Government would not be disturbed. It would have knocked out the Left in Kerala — where a Congress-propelled alliance is favoured to

win as well — and West Bengal. Even if the DMK loses in Tamil Nadu, the AIADMK would probably want some sort of ‘arrangement’ with the ruling party at the Centre. If conventional political logic were to prevail, both Ms Banerjee and Ms Jayalalithaa would want a sympathetic Union Government that would allow them time and space to consolidate.

However, it is necessary to enter a caveat here. Should the UPA Government continue to appear unsettled and should regional parties and chieftains fancy their chances and bargaining capacities in the aftermath of the next general election — whenever that is held — timelines and imperatives could change. Both the AIADMK and Trinamool could then see sense in a Lok Sabha poll as quickly as feasible, rather than in waiting for 2014. Why give regional rivals a chance to regain ground — and risk anti-incumbency setting in against the new State Governments (those that will be elected in May 2011)?

Tamil Nadu has 39 Lok Sabha seats; in 2009, the AIADMK won nine. West Bengal has 42 Lok Sabha seats; in 2009, Trinamool won 19. If these parties sweep the Assembly elections, they could calculate that an early parliamentary poll would benefit them, increase their numbers and give them greater influence at the Centre. Consequently, bolstering the UPA Government and keeping it going will not be as much of a priority. The opportunity cost will need to be tabulated.

Similar ideas may sound persuasive to Mr Nitish Kumar in Bihar. He led the JD(U)-BJP combine to a runaway victory in the Assembly election only three months ago and may fancy an early Lok Sabha poll while the euphoria is still fresh and his arch-rival, Mr Lalu Prasad Yadav, is still on the ropes. In contrast, by 2014 Mr Kumar would have been in power for nine years.

Indeed, next door in Uttar Pradesh, Ms Mayawati too could entertain such thoughts. Assembly election there is due in the early summer of 2012, but the BSP and its leader are believed to be working towards a

winter 2011 schedule. Ms Mayawati is confident the Congress has retreated from its surge of 2009 — when it did very well in the Lok Sabha election — and that the other big parties in the State, the Samajwadi Party and the BJP, have not recovered enough. That aside, she wants to call the Assembly election before panchayat and municipal polls, which can be messy and unpredictable. Should her plan work to perfection and should she win another term, what's to stop her dreaming bigger dreams?

It is nobody's case that four Chief Ministers, however powerful, can force a mid-term election on the country. Even so, should they see such an eventuality as being in their interest, they could make the UPA's ride rocky. After that, all it will require is an opportunistic accident.

PM has let democracy down

Sidharth Mishra

My closing column for the year 2010 in the edition dated December 27 had expressed serious reservations about the virtues of Dr Manmohan Singh, which were till recently extolled so very highly by the media. I had mentioned, “When the political history of the present *yugantar* (turn of the century) is written, Dr Manmohan Singh would certainly emerge as the most clever among all the political persons who dominated the last decade of the previous century and the first decade of the current century. More than the fact that he ruled the world’s largest democracy for the longest period without any connect with the people; he managed to do so by making a virtue out of pusillanimity.”

I am gleefully surprised at my words proving to be so prophetic. The Prime Minister has spoken twice in the recent times and on both the occasions he has made the pusillanimous streak of his character so abundantly clear. The first time was his interaction with the editors of the television media on February 16 last. The Prime Minister in his defence said, “In a coalition Government, you can suggest your preferences but you have to go by what the leader of that particular coalition party ultimately insists (upon). Raja and Maran were the choices of the DMK.... And, therefore, I did not feel that I had the authority to object to Raja’s entry.”

The second occasion was when the Prime Minister defended himself on the appointment of PJ Thomas as the Central Vigilance Commissioner, subsequently quashed by the Supreme Court. Prime Minister Manmohan Singh on last Friday said at Jammu, “The Supreme Court has

pronounced and as a loyal citizen of the country... I accept it. I respect the judgement... I accept my responsibility in the appointment of PJ Thomas as Central Vigilance Commissioner of India (CVC).”

The Prime Minister may follow this up with a statement in Parliament but that would not be sufficient. The history would judge Singh as somebody who weakened democratic procedures and allowed rule of gavel in the matters of public administration. His utter disrespect for the democratic processes and inability to take Parliament into confidence in the matters of governance has raised question of credibility of the democratic institutions.

Contrary to the image, which is sought to be painted of our politicians, some of our political leaders have painstakingly groomed the parliamentary and legislative institutions from the grassroots to the highest level. The makers of our Constitution showed the foresight of dividing the administrative machinery of the country between the political executive and the permanent executive.

Allowing somebody like Dr Manmohan Singh a lateral entry at the highest legislative level without testing him on the whetstone of people's confidence was the biggest disservice which the Congress could do to the nation. To Singh's discredit his entry into the permanent executive too was based on patronage rather than on merit. He did not enter the nation's bureaucracy through the conventional route.

Coming back to Dr Manmohan Singh's 'coalition dharma', his compulsion to appoint A Raja as Communication Minister despite charges of corruption against him makes the Indian democracy a case of the American spoils system. In the US, in the 19th century there existed a system by which "a political party, after winning an election, gave Government jobs to its voters as a reward for working toward victory, and as an incentive to keep working for the party-as opposed to a system of awarding offices on the basis of some measure of merit independent

of political activity.”

Thankfully following a series of reforms in the American civil service, the Spoils System came to be replaced by the merit-based bureaucracy. “The separation between the political activity and the civil service was made stronger with the Hatch Act of 1939 which prohibited federal employees from engaging in many political activities.”

Unfortunately in the Indian system, despite our Constitution strongly providing for it, we have gradually eroded the role of merit in governance. Dr Manmohan Singh, himself being a product of patronage system, has greatly contributed towards erosion of merit, which is best evinced in the appointment of PJ Thomas as CVC. He compounded his folly by running rough-shod over the observations of the Leader of the Opposition in the Lok Sabha. Instead of respecting her observations and examining the matter his decision to humiliate her reflects lack of political and parliamentary grooming of Singh, so essential for somebody holding the position of the Prime Minister of world’s largest democracy.

Singh could have taken a leaf or two out of the books of his predecessor Atal Bihari Vajpayee or his own mentor PV Narasimha Rao. When Rao headed the Government, Vajpayee was Leader of the Opposition and a very effective one. But the two enjoyed a relationship of respect and courtesy. Rao showed extra-ordinary political wisdom in letting Vajpayee lead the Indian delegation to the UN on the issue of Kashmir.

The delegation came back immensely successful and the Rao Government got the credit and nobody disputed it. In the matters of national interest, petty political difference can be set aside. Appointment of the CVC is certainly a matter of national interest.

TERRORISM

Judgement on Godhra

Too many acquittals put SIT in the dock

TUESDAY's special court judgement in Ahmedabad which ruled that the torching of Sabarmati Express near Godhra station that killed 59 people in 2002 was a "pre-planned conspiracy" is the first verdict in the Supreme Court-monitored case. Additional Sessions Judge P.R. Patel convicted 31 undertrials but acquitted 63 others, including Maulvi Umarji, the key accused, for lack of evidence. The acquittal of such a large number of accused raises disturbing questions on the quality of investigation conducted by the Special Investigation Team (SIT) headed by former CBI Director R.K. Raghavan. It also speaks poorly of the Indian criminal justice system because the undertrials have been languishing in the high security Sabarmati Central Jail since 2002. While Mr Raghavan has said that he will examine the prospects of an appeal if he is still convinced about the evidence, defence lawyer I.M. Munshi has said that his clients will challenge the verdict as there are "many contradictions" in the ruling. The trial began in June 2009 with the framing of charges against all the 94 accused who were charged with criminal conspiracy and murder in torching the train's S-6 coach on February 27, 2002.

Even though the quantum of sentence for those convicted will be announced on February 25, the maximum punishment for an offence of this kind is death sentence provided that the judge brings this under the ambit of the rarest of rare cases. This tragedy triggered widespread communal riots in various parts of Gujarat which claimed over 1,000 lives. The Godhra case is one of the nine highly sensitive cases of communal violence being investigated by the SIT. The judge could not pronounce this ruling in September 2010 because of the Supreme Court stay.

The special court has by and large endorsed the views of the Justice Nanavati Commission, appointed by the Narendra Modi government, which said that the train fire was a “pre-meditated event”. However, a commission set up by the Centre under Justice U.C. Banerjee in 2005 said the fire was an “accident caused from inside the coach without external input”. The Banerjee report, which was submitted to the Railway Ministry, kicked off a major controversy because he eliminated the petrol theory, the miscreant activity theory, the electrical fire theory and the possibility of an inflammable liquid having been used. The conspiracy theory in the case, now confirmed by Judge Patel, stands on confessions of the accused and witnesses under Section 164 of Cr PC and under Section 32 of the repealed Prevention of Terrorism Act (POTA).

